

**TESTIMONY OF WILLIAM J. DIVELLO,
ASSISTANT INSPECTOR GENERAL FOR AUDITS
BEFORE THE D.C. COUNCIL COMMITTEE ON HEALTH**

**AUDITS OF THE DEPARTMENT OF HEALTH HIV/AIDS
ADMINISTRATION OFFICE AND THE TICKET TO WORK
DEMONSTRATION WAIVER PROGRAM**

MARCH 17, 2005

Good morning Chairman Catania and members of the Committee. I appreciate the opportunity to appear before the Committee on Health to testify concerning the Office of the Inspector General's (OIG) Audits of the Department of Health's HIV/AIDS Administration Office and the Ticket to Work Demonstration Waiver Program.

My name is William J. DiVello and I am the Assistant Inspector General for Audits. Seated with me are OIG Audit Directors Roy Simmons and LaDonia Wilkins, and Salvatore Guli, Technical Director for Audits. The purpose of my prepared testimony is to discuss the results of two audits involving operations of the Department of Health (DOH), which are currently being performed by our Office.

Before discussing our audit efforts relative to DOH operations, I must emphasize that although a substantial amount of the audit work has been performed, both audits are currently ongoing and not yet complete. In addition, the DOH has not yet been afforded the opportunity to respond to our draft report. However, at your request and because of the significance of the issues, I believe that it is necessary for me to identify, even though not fully developed, apparent systemic problems that should and could be addressed during the audit and to help facilitate the Committee's decision-making process. I note, with emphasis, that the current DOH Administration has been most receptive to our audit efforts and have already taken actions to address certain deficiencies identified during the audit process.

AUDIT OF THE DEPARTMENT OF HEALTH HIV/AIDS ADMINISTRATION OFFICE

The first audit I will discuss is the Audit of The Department of Health HIV/AIDS Administration Office. This audit focuses on the management and administration of Federal grant funds awarded by the Department of Health HIV/AIDS Administration (HAA) to Community Based Organizations (subgrantees).

The objectives of the audit were to determine whether HAA: (1) managed and used resources in an efficient, effective, and economical manner; (2) complied with requirements of applicable laws, regulations, policies, and procedures; and (3) implemented adequate internal controls to safeguard against fraud, waste, and abuse.

Our audit work to date has identified four issue areas that require management attention.

Issue Area One - Grant Monitoring. HAA did not adhere to existing policies and procedures for monitoring HIV/AIDS grant funded programs.

Deficiencies were noted in the following areas:

- **Site Visits.** Our review found that none of the 35 subgrantees had been provided the four required yearly site visits. Site visits are performed to determine if the subgrantees are achieving their goals and deliverables outlined in the grant agreement. Also, in interviews with the grant monitors, we were told that the site visits they performed had not been properly documented or filed into the subgrantee folders.

- **Supervisory Review of Site Visits Reports.** HAA could not provide us with evidence to assure us that site visit reports were regularly reviewed and approved by a supervisor. There is a summary evaluation checklist that should be completed for each subgrantee during the formal site visit. Our review revealed that the checklist was used only 65 percent of the time and only 17.6 percent of the checklists had an approval signature.
- **Grant Monitor Workload.** The results from interviews with the grant monitors revealed that each monitor had between five and eleven subgrantees to monitor. Our analysis showed that grant monitors had more than adequate time available in the work year to conduct all required site visits.
- **Altered Site Visits Reports.** Our review of 35 subgrantees' site visit reports found that four site visit reports had language and wording that were identical. Further review indicated the possibility that the reports had been altered, in that information had been obtained from another subgrantee's site visit report. We noted that although the date and the subgrantee name were different, the report narrative was the same.

- **Validating Subgrantee Operations.** We conducted a telephone survey of 55 subgrantees. The results of our survey revealed 13 subgrantees could not be contacted via telephone. As a result of our telephone survey, we performed site visits of the subgrantees, and found the following conditions described below:
 1. Six subgrantees were not located at the address listed on their grant agreement and the location verified by grant monitors where monitoring occurs;
 2. Three subgrantee sites were inaccessible;
 3. Two subgrantee office managers were unsure or unaware that their offices provided HIV/AIDS services; and
 4. Two subgrantee sites showed no evidence of HIV/AIDS services being provided.
- **Inadequate Maintenance of Subgrantee Files.** We reviewed 22 subgrantee folders for required information and found the following documentation was missing: site visit reports, invoices progress notes, correspondences, and budget information.
- **Training Grant Monitors.** The Grant Management Division had nine grant management specialists, eight of whom participated in a Management Concepts Training and Certification Program when they

were hired as new employees. Our review found that there were only three grant management specialists who received additional training in the 1-3 year time-period since completing the Management Concepts Training and Certification Program.

- **Service Deliverables and Grant Agreement Target.** We found instances where subgrantees did not meet their targets for providing services. Often, the unmet targets were not discovered until the conclusion of the grant. Although our audit revealed that the grant funding was reduced for the subgrantees that did not meet targeted goals, the overall result of not meeting targets is lost opportunity to put the grant funds to use.
- **Reporting Requirements.** Review of subgrantee files maintained by the grant monitors revealed that required reports are not being submitted timely. We reviewed 22 subgrantee files and found that 20 of the reports were more than 30 days late and 2 reports were never submitted to HAA for the entire year. These reports detail results of services rendered by the subgrantee and are important because they are used to help determine the level of grant funds.
- **A-133 Reporting Requirements.** HAA continued to award grants to subgrantees who did not comply with the federal regulations, OMB

Circular A-133 title, “Audits of States Local Governments and Non-Profit Organizations” which required organizations expending \$300,000 or more prior to FY 2004, to obtain an independent audit, as stipulated in the grant agreements.

Issue Area Two - The Award Process. HAA’s award process did not provide sufficient management controls to ensure that HIV/AIDS grants are awarded to qualified providers/subgrantees. Specifically, HAA awarded grant funds to subgrantees that did not have the appropriate or valid District licenses necessary to operate a legitimate business in the District of Columbia. Further, HAA did not always identify subgrantees that were eligible to be Medicaid certified, thus using grant funds, before first using available Medicaid funds, which is estimated to be \$1.6 million.

Issue Area Three - Subgrantee Reimbursements. HAA did not fully comply with applicable program guidelines in providing timely reimbursements to subgrantees. In some instances, reimbursements to subgrantees took more than 90 days, as opposed to the standard 30-day requirement. Our tests confirmed that HAA was not processing invoices timely, not accurately recording transactions, and lacked sufficient

supporting documentation of the subgrantees' invoices for reimbursements. Untimely reimbursements to subgrantees could negatively impact on their ability to render services or remain solvent.

Issue Area Four - Recording and Processing of Grant Funding. HAA's controls over accounting for grant funding and grant expenditures were inadequate. HAA was unable to validate the accuracy of the amount grant expenditures made during the period covered under our review. We found instances where HAA apparently overstated and understated grant funds, because HAA did not properly or accurately record revenue and expenditures. Further, we were unable to determine the accurate amount of disbursements and, therefore, HAA was unable to provide supporting documentation to validate the completeness and accuracy of recorded transactions. Specifically, when compared to Federal grant amounts, there were unexplained differences in the amounts budgeted in SOAR, expenditures in SOAR accounts, and in the amount of expenditures reported to the federal government.

SUMMARY OF RECOMMENDATIONS

We will direct several recommendations to DOH that center, in part, on:

- (1) developing policies and procedures that require HAA to ensure that subgrantees applying for grant funding have valid Articles of Incorporation and/or a valid business licenses, and that HAA is the payer of last resort for subgrantees that are Medicaid eligible;
- (2) adhering to the D.C. Code, District Regulations, and agency policies and procedures in the administration of grant funds;
- (3) ensuring timely reimbursements to subgrantees;
- (4) implementing internal controls to ensure that subgrantees are monitored and managed effectively and efficiently; and
- (5) providing fiscal accountability over grant budgets and expenditures.

AUDIT OF THE DEPARTMENT OF HEALTH'S MANAGEMENT OF THE TICKET TO WORK DEMONSTRATION WAIVER PROGRAM

The second audit I will discuss is the Audit of the Department of Health's Management of the Ticket to Work Demonstration Waiver Program. This audit is the second in a series of audits that will evaluate the District's management of the Medicaid Program.

The objectives of the audit were to determine whether DOH achieved program results in an efficient, effective, and economical manner; complied with requirements of applicable laws, regulations, policies, and procedures; and implemented adequate internal controls to prevent or detect material errors and irregularities.

Our audit work to date has identified one major finding.

DOH Medical Assistance Administration (MAA) did not comply with the matching funds requirement of the Center for Medical and Medicaid Studies (CMS) Grant Solicitation and Title 42 of the U.S. Code for the Ticket to Work Demonstration Waiver Program. For example,

- MAA obligated the District to incur program costs projected at \$12.1 million for the period January 1, 2002, through December 31, 2007, without establishing an approved budget to fund the District's share of program costs.
- As of September 30, 2004, the District was liable for approximately \$2.2 million in program costs.

- DOH's non-compliance with the matching fund provisions of the Grant Solicitation may result in the District forfeiting the remaining balance of grant funds, in excess of \$20 million. This could occur if federal officials curtail future program funding or if the District withdraws from the program.
- DOH officials told us they were unaware of the matching funds requirement contained in the Grant Solicitation.

MANAGEMENT ACTIONS

We brought this matter to the attention of MAA senior officials, who agreed that the District was liable for \$2.2 million of program costs. This issue was also discussed with senior officials of the Office of the Chief Financial Officer, which resulted in an adjusting journal entry being prepared in the amount of \$1.8 million to pay for the District's proportion of program expenditures incurred during FY 2004. However, \$400,000 remains unpaid (\$2.2 less \$1.8 million).

On January 24, 2005, we met with the DOH senior officials and informed them that a budget had not been established to fund the Program since its inception in September 2002. We also informed the DOH officials that we

were unable to obtain documentation to assure us that a budget will be established to fund the Program for FY 2005, 2006, and 2007. The DOH officials informed us that efforts were underway to obtain funding for the Program for the remainder of the grant period.

SUMMARY OF RECOMMENDATIONS

We will address recommendations to the DOH Director that center, in part, on:

- requiring that the funding sources are identified and budgeted for in advance of incurring program expenditures;
- obtaining funding for fiscal years 2005, 2006, and 2007; and
- obtaining and maintaining essential records relating to the Program.

This concludes my prepared testimony. We are prepared to answer any questions that you may have.